

**Follow-up to August 25 PIR Technical Workshop:
Summary of Changes to Expense-based Revenue Requirements**

In response to the customers' request from the August 25, 2004 TBL PIR technical workshop, the following Table 1 provides a summary of the changes (dollars in thousands - \$000s) from the initial PIR proposal to the adjusted and current PIR proposal. Please reference the column "Reasons for Changes" to identify those line items that have been updated.

In summary, the total expenses for FY 2006 and FY 2007 decreased by 4.4% and 2.6%, respectively. The primary five areas where costs varied the greatest include depreciation, interest, ancillary service payments, regulatory and association fees, and general and administrative shared services.

Please comment on the adjusted PIR Proposal by September 15, 2004. If you have any questions, please contact Madonna Radcliff at (360) 418-2861 or tblfeedback@bpa.gov.

Table 1

| | Initial PIR Proposal 2006 | Initial PIR Proposal 2007 | PIR Adjusted Forecast 2006 | PIR Adjusted Forecast 2007 | FY06 Variance | FY07 Variance | Reasons for Changes |
|--|------------------------------|---------------------------------|-------------------------------|-------------------------------|------------------|------------------|---|
| Operating Expenses | | | | | | | |
| TBL Transmission Acquisition and Ancillary Services | | | | | | | |
| ANCILLARY SERVICES PAYMENTS | 65,904 | 65,904 | 64,485 | 64,485 | (1,419) | (1,419) | |
| OTHER PAYMENTS TO PBL | 3,544 | 3,544 | 3,544 | 4,430 | | 886 | |
| STATION SERVICES PAYMENTS | 4,700 | 4,700 | 4,700 | 5,125 | | 425 | |
| TBL Ancillary Products and Services | 74,148 | 74,148 | 72,729 | 74,040 | (1,419) | (108) | Updated Self Supply forecasts |
| LEASED FACILITIES | 6,145 | 6,145 | 6,145 | 6,145 | | | |
| GENERAL TRANSFER AGREEMENTS (settlement) | 912 | 912 | 912 | 912 | | | |
| STABILITY RESERVES PAYMENTS | 310 | 310 | 310 | 310 | | | |
| TBL Transmission Acquisition | 7,366 | 7,366 | 7,366 | 7,366 | | | |
| TBL Trans. Acquisition and Ancillary Service | 81,514 | 81,514 | 80,095 | 81,406 | (1,419) | (108) | |
| Transmission Operations | | | | | | | |
| INFORMATION TECHNOLOGY | 10,130 | 10,230 | 10,130 | 10,230 | | | |
| POWER SYSTEM DISPATCHING | 10,184 | 10,184 | 10,184 | 10,184 | | | |
| CONTROL CENTER SUPPORT | 7,770 | 7,770 | 7,770 | 7,770 | | | |
| TECHNICAL OPERATIONS | 3,620 | 3,620 | 3,620 | 3,620 | | | |
| SUBSTATION OPERATIONS | 18,193 | 18,193 | 18,193 | 18,193 | | | |
| TBL System Operations | 49,897 | 49,997 | 49,897 | 49,997 | | | |
| MANAGEMENT SUPERVISION & ADMINISTRATION | 356 | 356 | 356 | 356 | | | |
| RESERVATIONS | 300 | 300 | 300 | 300 | | | |
| PRE-SCHEDULING | 740 | 740 | 740 | 740 | | | |
| REAL-TIME SCHEDULING | 3,206 | 3,206 | 3,206 | 3,506 | | 300 | Increase assuming TOA for Grid West is signed |
| SCHEDULING TECHNICAL SUPPORT | 6,215 | 6,264 | 6,215 | 6,264 | | | |
| SCHEDULING AFTER-THE-FACT | 653 | 653 | 653 | 653 | | | |
| TBL Scheduling | 11,470 | 11,519 | 11,470 | 11,819 | | 300 | |
| TRANSMISSION SALES | 2,243 | 2,243 | 2,243 | 2,243 | | | |
| MKTG EXECUTIVE OFFICE | | | | | | | |
| MKTG INTERNAL OPERATIONS | 1,060 | 1,060 | 1,060 | 1,060 | | | |
| MKTG TRANSMISSION FINANCE | 760 | 760 | 760 | 760 | | | |
| MKTG CONTRACT MANAGEMENT | 2,007 | 2,007 | 2,007 | 2,007 | | | |
| MKTG TRANSMISSION BILLING | 2,006 | 2,006 | 2,006 | 2,106 | | 100 | Increase assuming TOA for Grid West is signed |
| MKTG BUSINESS STRAT & ASSESS | 2,192 | 2,192 | 2,192 | 2,192 | | | |
| MARKETING IT SUPPORT | 2,585 | 2,585 | 2,585 | 2,585 | | | |
| MARKETING AND SALES | | | | | | | |
| METER DATA | 1,922 | 1,972 | 1,922 | 1,972 | | | |
| EXECUTIVE AND ADMIN SERVICES | 9,944 | 11,718 | 9,944 | 11,718 | | | |
| STAFF MANAGEMENT (HR) | 416 | 416 | 416 | 416 | | | |
| LEGAL SUPPORT | 1,711 | 1,711 | 1,844 | 1,908 | 132 | 197 | Revised estimate from Corporate |
| TBL INTERNAL GENERAL & ADMINISTRATIVE | 3,098 | 3,098 | 3,098 | 3,098 | | | |
| SUPPORT FOR SHARED SERVICES PRODUCTS | | | | | | | |
| AIRCRAFT SERVICES | 743 | 743 | 743 | 743 | | | |
| LOGISTICS SERVICES | 3,700 | 3,700 | 3,700 | 3,700 | | | |
| SECURITY ENHANCEMENTS | 1,007 | 1,007 | 1,007 | 1,007 | | | |
| TBL Marketing and Business Support | 35,395 | 37,219 | 35,527 | 37,515 | 132 | 297 | |
| Transmission Operations Sub-Total | 96,762 | 98,735 | 96,894 | 99,332 | 132 | 597 | |
| Transmission Engineering | | | | | | | |
| RESEARCH & DEVELOPMENT | 3,331 | 3,328 | 3,331 | 3,328 | | | |
| TSD PLANNING AND ANALYSIS | 1,524 | 1,521 | 1,524 | 1,521 | | | |
| CAPITAL TO EXPENSE TRANSFER | 4,000 | 4,000 | 4,000 | 4,000 | | | |
| REGULATORY & REGION ASSOC FEES | 2,578 | 2,676 | 1,884 | 1,929 | (694) | (747) | Reduction due to error in estimates |
| TBL System Development | 11,432 | 11,526 | 10,738 | 10,779 | (694) | (747) | |
| Transmission Engineering Sub-Total | 11,432 | 11,526 | 10,738 | 10,779 | (694) | (747) | |
| Transmission Maintenance | | | | | | | |
| NON-ELECTRIC MAINTENANCE | 9,244 | 8,344 | 9,244 | 8,344 | | | |
| SUBSTATION MAINTENANCE | 14,810 | 15,590 | 14,594 | 15,374 | (216) | (216) | |
| TRANSMISSION LINE MAINTENANCE | 16,290 | 17,140 | 16,290 | 17,140 | | | |
| SYSTEM PROTECTION CONTROL MAINTENANCE | 8,080 | 8,500 | 8,080 | 8,500 | | | |
| POWER SYSTEM CONTROL MAINTENANCE | 8,110 | 8,540 | 8,110 | 8,540 | | | |
| JOINT COST MAINTENANCE | | | 216 | 216 | 216 | 216 | |
| SYSTEM MAINTENANCE MANAGEMENT | 6,120 | 6,440 | 6,120 | 6,440 | | | |
| ROW MAINTENANCE | 14,465 | 12,565 | 14,465 | 12,565 | | | |
| HEAVY MOBILE EQUIP MAINT | 1,278 | 1,278 | 1,278 | 1,278 | | | |
| TECHNICAL TRAINING | 2,969 | 2,969 | 2,969 | 2,969 | | | |
| TBL System Maintenance | 81,367 | 81,367 | 81,367 | 81,367 | | | |
| ENVIRONMENTAL POLICY/PLANNING | 1,259 | 1,259 | 1,286 | 1,309 | 27 | 50 | |
| ENVIRONMENTAL ANALYSIS | | | | | | | |
| POLLUTION PREVENTION AND ABATEMENT | 3,390 | 3,290 | 3,290 | 3,290 | (100) | | |
| TBL Environmental Operations | 4,649 | 4,549 | 4,576 | 4,599 | (73) | 50 | |
| Transmission Maintenance Sub-Total | 86,016 | 85,916 | 85,943 | 85,967 | (73) | 50 | Reshaping of costs |
| General and Administrative/Shared Services | | | | | | | |
| Civil Service Retirement System (CSRS) | 11,550 | 10,550 | 11,550 | 10,550 | | | |
| Corporate Support - G & A (excludes direct project sup | 25,500 | 25,400 | 26,221 | 27,357 | 721 | 1,957 | Revised estimate from Corporate |
| Corporate Support - Shared Services (excl direct proj. & | 22,784 | 23,429 | 25,715 | 29,217 | 2,930 | 5,789 | Revised estimate from Corporate |
| Sub-Total Corporate Support Services | 48,284 | 48,829 | 51,936 | 56,574 | 3,652 | 7,746 | |
| General and Administrative/Shared Services | 59,834 | 59,379 | 63,486 | 67,124 | 3,652 | 7,746 | |
| TOTAL OPERATING EXPENSES | 335,559 | 337,070 | 337,156 | 344,607 | 1,598 | 7,538 | |
| Depreciation | 204,081 | 217,086 | 203,083 | 213,345 | (998) | (3,741) | Updated capital spending plan. |
| Total Expenses | 539,640 | 554,156 | 540,239 | 557,952 | 600 | 3,797 | |
| Total Interest | 189,145 | 198,439 | 156,175 | 175,402 | (32,970) | (23,037) | Includes a roll over feature for the S/T bonds which reflected reduced interest rates |
| | 728,785 | 752,595 | 696,414 | 733,354 | (32,370) | (19,240) | |